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# 天德地產有限公司 Tian Teck Land Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 266)

## Interim Results for the six months ended 30 September 2014

(Expressed in Hong Kong dollars)

The Board of Directors is pleased to announce the unaudited consolidated results of the Group for the half year ended 30 September 2014. These results have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), by KPMG, certified public accountants in Hong Kong, and the Audit Committee with no disagreement. The unmodified review report of the auditor is included in the interim report to be sent to shareholders.

### Consolidated income statement — unaudited

		Six months ended 30 September	
	Note	2014 \$'000	2013 \$'000
<b>Turnover</b>	3	<b>323,726</b>	302,439
Cost of services		(42,360)	(34,465)
<b>Gross profit</b>		<b>281,366</b>	267,974
Other revenue	5(a)	4,073	1,394
Other net income	5(b)	263	643
Administrative expenses		(19,567)	(18,197)
<b>Profit from operations before valuation changes in investment properties</b>		<b>266,135</b>	251,814
Net valuation gains on investment properties		195,493	309,164
<b>Profit from operations after valuation changes in investment properties</b>		<b>461,628</b>	560,978
Finance costs	6(a)	(1,165)	(1,032)
<b>Profit before taxation</b>	6	<b>460,463</b>	559,946
Income tax	7	(43,721)	(41,500)
<b>Profit for the period</b>		<b>416,742</b>	518,446
<b>Attributable to:</b>			
— Equity shareholders of the Company		209,909	268,847
— Non-controlling interests		206,833	249,599
<b>Profit for the period</b>		<b>416,742</b>	518,446
<b>Earnings per share — basic and diluted</b>	9	<b>\$0.44</b>	\$0.57

Details of dividends payable to equity shareholders of the Company are set out in note 8.

**Consolidated statement of comprehensive income — unaudited**

	<b>Six months ended 30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for the period</b>	<b>416,742</b>	<b>518,446</b>
<b>Other comprehensive income for the period</b> <b>(after tax and reclassification adjustments):</b>		
Item that may be reclassified subsequently to profit or loss:		
— Available-for-sale equity securities: changes in fair value recognised during the period	<u><b>(1,319)</b></u>	<u><b>1,251</b></u>
<b>Total comprehensive income for the period</b>	<u><b>415,423</b></u>	<u><b>519,697</b></u>
<b>Attributable to:</b>		
— Equity shareholders of the Company	<b>208,590</b>	270,098
— Non-controlling interests	<u><b>206,833</b></u>	<u>249,599</u>
<b>Total comprehensive income for the period</b>	<u><b>415,423</b></u>	<u><b>519,697</b></u>

## Consolidated balance sheet — unaudited

	<i>Note</i>	<b>At 30 September 2014</b>		At 31 March 2014	
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>					
Fixed assets					
— Investment properties		<b>13,917,388</b>		13,716,191	
— Other properties, plant and equipment		<b>90,063</b>		94,886	
		<b>14,007,451</b>		13,811,077	
Available-for-sale equity securities		<b>8,072</b>		9,391	
		<b>14,015,523</b>		13,820,468	
<b>Current assets</b>					
Accounts receivable, deposits and prepayments	10	<b>25,859</b>		26,451	
Pledged bank deposits		<b>109,803</b>		244,580	
Cash and cash equivalents		<b>428,912</b>		235,389	
		<b>564,574</b>		506,420	
<b>Current liabilities</b>					
Other payables and accruals	11	<b>74,113</b>		62,503	
Deposits received		<b>193,924</b>		178,808	
Provision for long service payments		<b>1,451</b>		1,520	
Obligations under finance leases		<b>17</b>		34	
Current tax payable		<b>54,652</b>		29,963	
		<b>324,157</b>		272,828	
<b>Net current assets</b>		<b>240,417</b>		233,592	
<b>Total assets less current liabilities</b>		<b>14,255,940</b>		14,054,060	
<b>Non-current liabilities</b>					
Bank loan — secured		<b>200,000</b>		200,000	
Government lease premiums payable		<b>2,091</b>		2,091	
Obligations under finance leases		<b>—</b>		4	
Deferred tax liabilities		<b>45,323</b>		41,692	
		<b>247,414</b>		243,787	
<b>NET ASSETS</b>		<b>14,008,526</b>		13,810,273	
<b>CAPITAL AND RESERVES</b>					
Share capital		<b>121,830</b>		121,830	
Reserves		<b>7,068,324</b>		6,968,922	
		<b>7,190,154</b>		7,090,752	
<b>Non-controlling interests</b>		<b>6,818,372</b>		6,719,521	
<b>TOTAL EQUITY</b>		<b>14,008,526</b>		13,810,273	

Notes:

## 1. Basis of preparation

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the HKICPA.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 March 2014, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2015. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

## 2. Changes in accounting policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amounts disclosure for non-financial assets*

These developments have no material impact on the Group’s financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. Turnover

The principal activity of the Group is property investment.

Turnover represents gross rental income received and receivable from investment properties.

The Group’s customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group’s revenues. During the period, revenue from this customer amounted to approximately \$44,710,000 (2013: \$44,542,000).

## 4. Segment information

The Group has a single reportable segment which is “Property leasing”. Accordingly, the business segment information for this sole reportable segment is equivalent to the consolidated figures.

No separate geographical information is presented as the Group’s revenue and results of property leasing were derived from Hong Kong and the People’s Republic of China (the “PRC”).

**5. Other revenue and net income**

	<b>Six months ended 30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Other revenue</b>		
Interest income	<b>1,684</b>	1,098
Dividend income from listed securities	<b>199</b>	132
Compensation from early termination of lease	<b>2,174</b>	–
Others	<b>16</b>	164
	<b>4,073</b>	<b>1,394</b>
<b>(b) Other net income</b>		
Net foreign exchange gain	<b>272</b>	590
Net (loss)/gain on disposals of fixed assets	<b>(9)</b>	30
Others	<b>–</b>	23
	<b>263</b>	<b>643</b>

**6. Profit before taxation**

Profit before taxation is arrived at after charging:

	<b>Six months ended 30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Finance costs</b>		
Interest on bank loan	<b>1,015</b>	957
Interest on government lease premiums payable	<b>25</b>	25
Other borrowing costs	<b>125</b>	50
	<b>1,165</b>	<b>1,032</b>
<b>(b) Other item</b>		
Depreciation	<b>5,078</b>	4,788

7. **Income tax**

	<b>Six months ended 30 September</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>Current tax</b>		
Hong Kong profits tax	<b>39,956</b>	37,506
PRC tax	<b>134</b>	126
	<u><b>40,090</b></u>	<u>37,632</u>
<b>Deferred tax</b>		
Changes in fair value of investment properties	<b>(3)</b>	104
Origination and reversal of temporary differences	<b>3,634</b>	3,764
	<u><b>3,631</b></u>	<u>3,868</u>
	<u><b>43,721</b></u>	<u>41,500</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the six months ended 30 September 2014. PRC taxation is calculated based on the applicable rate of taxation in accordance with the relevant tax rules and regulations of the PRC.

8. **Dividends**

(a) **Dividends payable to equity shareholders of the Company attributable to the interim period**

	<b>Six months ended 30 September</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Interim dividend declared after the interim period of \$0.23 per share (2013: \$0.21 per share)	<b>109,188</b>	99,694

The interim dividend declared after the interim period has not been recognised as a liability at the balance sheet date.

(b) **Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period**

	<b>Six months ended 30 September</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of \$0.23 per share (year ended 31 March 2013: \$0.21 per share)	<b>109,188</b>	99,694

## 9. Earnings per share — basic and diluted

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$209,909,000 (2013: \$268,847,000) and 474,731,824 (2013: 474,731,824) shares in issue during the period. There were no potential dilutive shares in existence during the six months ended 30 September 2014 and 2013.

## 10. Accounts receivable, deposits and prepayments

The ageing analysis of accounts receivable (net of allowance for bad and doubtful debts) which was included in accounts receivable, deposits and prepayments as of the balance sheet date is as follows:

	<b>At 30 September</b>	At 31 March
	<b>2014</b>	2014
	<b>\$'000</b>	\$'000
Current	<u>15,724</u>	<u>19,154</u>
Less than 1 month past due	474	269
1 to 3 months past due	178	50
More than 3 months but less than 12 months past due	–	13
More than 12 months past due	<u>–</u>	<u>3</u>
Amounts past due	<u>652</u>	<u>335</u>
Total accounts receivable, net of allowance for bad and doubtful debts	<b>16,376</b>	19,489
Deposits and prepayments	<u>9,483</u>	<u>6,962</u>
	<b>25,859</b>	<b>26,451</b>

Debts are generally due on the 1st day of each month and 10 to 14 days are allowed for settlement or else interest will be charged. Legal action will be taken against past due debtors whenever the situation is appropriate.

## 11. Other payables and accruals

	<b>At 30 September</b>	At 31 March
	<b>2014</b>	2014
	<b>\$'000</b>	\$'000
Accruals and retention monies payable for redevelopment work	31,590	43,687
Other payables and accruals	<u>42,523</u>	<u>18,816</u>
	<b>74,113</b>	<b>62,503</b>

All of the other payables and accruals are expected to be settled within one year.

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board has resolved that an interim dividend of \$0.23 per share (2013: \$0.21 per share) will be paid on Friday, 16 January 2015 to shareholders whose names appear on the register of members of the Company on Friday, 19 December 2014. The register of members of the Company will be closed for the purpose of determining entitlement to the said interim dividend from Wednesday, 17 December 2014 to Friday, 19 December 2014, both days inclusive, during which period no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Tuesday, 16 December 2014.

## **BUSINESS REVIEW**

- The Group achieved a profit from operations before valuation changes in investment properties of \$266.1 million for the half year ended 30 September 2014, representing an increase of approximately 5.7% compared with the corresponding period of last year. The increase was mainly due to increase of rental income from iSQUARE compared to the corresponding period of last year.
- Net valuation gains on investment properties for the half year ended 30 September 2014 amounted to \$195.5 million, representing a decrease of approximately \$113.7 million compared with the corresponding period of last year. The valuation gains will only affect the accounting profit or loss but not the cash flow of the Group.
- The Group recorded a profit attributable to equity shareholders of \$209.9 million, compared with a profit attributable to equity shareholders of \$268.8 million for the corresponding period of last year.
- iSQUARE is a commercial complex housing retail, entertainment, food and beverage establishments. Rental income from iSQUARE amounted to approximately \$316.4 million for the half year ended 30 September 2014, representing an increase of approximately 7.1% compared with the corresponding period of last year. The occupancy rate was approximately 99.5% at 30 September 2014 and 2013.
- The Group's investment properties comprising four floors of Goodluck Industrial Centre in Lai Chi Kok and one floor of a commercial building in Guangzhou in the PRC, continued to generate rental income during the period.
- The total equity for the Group at 30 September 2014 was \$14,008.5 million, compared with \$13,810.3 million at 31 March 2014.
- On 7 October 2013, Associated International Hotels Limited, a 50.01% owned subsidiary, entered into a facility agreement with a bank comprising of a 3-year term loan facility of up to \$200 million and a 3-year revolving loan facility of up to \$100 million. At 30 September 2014, the banking facilities were utilised to the extent of \$200 million and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 1.4%.



- At 30 September 2014, the total number of employees of the Group, excluding the staff employed by DTZ Debenham Tie Leung Property Management Limited for general building and property management of iSQUARE, was 38 (30 September 2013: 37) and the related costs incurred during the period were approximately \$10.0 million (30 September 2013: \$9.8 million).
- Save as disclosed in this announcement, there has been no further material change to the information contained in the Company's annual report for the year ended 31 March 2014 which necessitates additional disclosure to that made herein.

## **OUTLOOK**

The Occupy Central movement has inflicted damage to the economy and affected the leasing market in Hong Kong. Management believes that the leasing market will be further affected if the situation intensifies. The Group will continue to strive for better results from operations by adopting appropriate leasing strategies. Barring unforeseen circumstances, it is anticipated that rental income from iSQUARE and the results from operations of the Group for the current financial year will be stable.

## **PURCHASE, SALE OR REDEMPTION BY THE COMPANY AND ITS SUBSIDIARIES OF ITS LISTED SECURITIES**

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 September 2014.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company throughout the six months ended 30 September 2014 complied with all the code provisions, where applicable, set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the deviations as disclosed hereunder:

- Code Provision A.1.8: Appropriate insurance cover in respect of legal action against directors should be arranged

Currently, the Company does not have insurance cover for legal action against its Directors. The Board believes that with the current internal control system and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in their capacity as Directors of the Company is relatively low. Nevertheless, the Board will review the need for insurance cover from time to time.

- Code Provision A.2.1: The roles of chairman and chief executive should be separated and performed by two individuals

Mr Cheong Hooi Hong is both the Chairman and chief executive of the Company. The Board of Directors considers that the current structure does not have any adverse effect on the Company and believes that this structure enables the Group to make and implement decisions promptly and efficiently.

- Code Provision B.1.5: Remuneration details of senior management should be disclosed by band in annual reports

The remuneration details of the senior management are not disclosed by band in the annual report. The Board of Directors notes that none of the senior management members is involved in deciding his/her own remuneration or related to the remuneration committee members (who are authorised to collectively determine the remuneration of the senior management). Also, the disclosure of such information may cause undue comparison and discontent among staff members, and would unnecessarily provide highly sensitive and confidential information to competitors and other third parties looking to recruit the senior management. In light of the above, the Directors are of the view that the disclosure of such information would neither provide pertinent information in furtherance of corporate governance, nor be in the interests of the shareholders.

- Code Provision F.1.3: The company secretary should report to the board chairman and/or the chief executive

Instead of reporting to the Chairman (who is also the chief executive of the Company), the company secretary reports directly to the deputy chairman. The Board considers that this reporting line does not prevent the Chairman/chief executive from understanding/managing the operation of the Company or discharging his duties, for the Chairman and deputy chairman have ongoing discussion on business affairs, in particular corporate governance and financial issues.

## **INTERIM REPORT**

The Company's interim report containing all information required by the Listing Rules will be despatched to shareholders in due course.

By Order of the Board  
**Tian Teck Land Limited**  
**Ng Sau Fong**  
Company Secretary

Hong Kong, 27 November 2014

*As at the date of this announcement, Mr Cheong Hooi Hong, Mr Cheong Kheng Lim, Mr Cheong Keng Hooi, Mr Cheong Sim Lam and Miss Cheong Chong Ling are executive directors, Mr Sin Cho Chiu, Charles is a non-executive director, and Mr Chow Wan Hoi, Paul, Mr Yau Allen Lee-nam and Mr Tse Pang Yuen are independent non-executive directors.*

*Note: The translation into Chinese language of this announcement is for reference only. In case of any inconsistency, the English version shall prevail.*